

Message Text

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ORIGIN AGR-01

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TO USLO PEKING PRIORITY
INFO AMCONSUL HONG KONG PRIORITY

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FOR NEELEY FROM NOVOTNY

E.O. 11652: N/A

TAGS: EAGR, CH

SUBJECT: US-PRC GRAIN TRADE

1. AS REGARDS FOB VS. C&F TERMS, OUR IMPRESSION IS
THAT THE CONTRACT ON THE NEW SALE DIFFERS FROM
THOSE WHICH CERIOLOFOOD AGREED TO IN 1973/4, BUT THE MATTER
IS BY NO MEANS CLEAR. SELLER CONFIDENTIALLY ADVISES THAT HE
WILL LIKELY BE CONFRONTED WITH "COMPLAINTS OR CLAIMS AS
ALWAYS," BUT INDICATES THAT PAYMENT WILL BE ON THE BASIS OF
WEIGHTS AND GRADES AS DETERMINED AT THE POINT OF LOADING.
OUR IMPRESSION IS THAT SOME OF THE SELLERS IN 1973/4,SOLD
EX-US ON THE BASIS OF WEIGHTS AND GRADES LOADING, BUT THEN
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USED FOREIGN AFFILIATE OR INTERMEDIARY TO MAKE CONTRACT WITH
CHINESE ON C&F TERMS. UNTIL ONE OF US LEARNS OTHERWISE, WE
SHOULD ASSUME THAT SO-CALLED "C&F" TERMS HAVE BEEN DISPENSED
WITH. INCIDENTALLY, OUR IMPRESSION IS THAT IF THIS IS TRUE
IT REPRESENTS A SIGNIFICANT CONCESSION BY THE PRC AND MAY
SIGNIFY INTENTION OF ONGOING TRADE.

2. AS FOR TCK, OUR UNDERSTANDING IS THAT SELLER OF 600,000 TONS HAS OPTIONS OF ANY CLASS EXCEPT DURUM AND ANY COAST. IN SOME RESPECTS, TERMS FOR TCK ARE SIMILAR

TO THOSE DURING FINAL PHASE OF 1973/4, PERIOD, WITH RIGHT OF REJECTION BEING WAIVED, BUT SELLER BEING SUBJECT TO PAYMENT OF TREATMENT EXPENSES IN THE EVENT TCK SHOWS UP AT POINT OF UNLOADING. APPARENTLY AN UPPER LIMIT TO THE TREATMENT COST WAS AGREED; SEVERAL MONTHS AGO WE HEARD THE CHINESE WERE WILLING TO TALK ABOUT 3 DOLS. PER TON, AND WE THINK THE CURRENT FIGURE MIGHT BE SOMEWHAT LESS. IN OTHER RESPECTS, HOWEVER, THE TCK QUESTION MAY BE HANDLED VERY MUCH DIFFERENTLY; FOR EXAMPLE, NO OFFICIAL USDA AGENCY HAS THUS FAR BEEN ASKED TO PROVIDE TCK TESTING SERVICE, WHICH MAY MEAN THAT SELLER IS HANDLING MATTER THROUGH PRIVATE LABORATORIES.

3. TERMS OF SALE, EITHER AS REGARDS TCK OR FOB/CIF QUESTIONS ARE AN EXTREMELY DELICATE ISSUE AT THIS TIME. IT SEEMS QUITE POSSIBLE THAT EVEN THE BUYER AND SELLER AREN'T SURE AS YET EXACTLY "WHAT THEY'VE GOT," AND MAY NOT BE UNTIL CERTAIN POINTS ARE TESTED UNDER ACTUAL PRACTICE. IN LIGHT OF THIS, AND SINCE COMPETITIVE ASPECT AS BETWEEN DIFFERENT SELLERS IS ALSO INVOLVED, CONCERNED OFFICIALS OF BOTH WASHINGTON AND FIELD OFFICES ARE URGED TO REFRAIN FROM RAISING THESE POINTS FOR TIME BEING, EITHER WITH PRC LIMITED OFFICIAL USE

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OFFICIALS OR OTHER CONTACTS. IT IS A SITUATION WHERE EVEN TO RAISE THE WRONG QUESTION COULD JEOPARDIZE FURTHER SALES OF U.S. WHEAT TO CHINA, OR ALSO JEOPARDIZE THE POSITION OF ONE SELLER VIS-A-VIS ANOTHER. INSTEAD, WE SHOULD CONFINE OURSELVES TO DISCUSSING REASONS AND TIMING FOR THE PURCHASE OF U.S. WHEAT, PROSPECTS FOR MORE, ETC.

4. WE UNDERSTAND THAT SIGNIFICANT QUANTITY OF NON-US COARSE GRAINS HAS ALSO BEEN SOLD, POSSIBLY UNDER THE SAME ARRANGEMENT WHICH CONTAINED 600,000 TONS US WHEAT. THE COARSE GRAINS REPORTEDLY INCLUDES 200,000 TONS ARGENTINE CORN.

5. DIFFERENT SOURCES NOW HAVING CONSIDERABLY DIFFERENT VIEWS ABOUT CURRENT PRC CROP CONDITIONS AND PROSPECTS. WEATHER ASSESSMENTS HERE SUGGEST THAT CONDITIONS ARE SIGNIFICANTLY ABOVE AVERAGE FOR BOTH WINTER WHEAT AND OTHER CROPS INCLUDING EARLY RICE. AT LEAST TWO IMPORTANT TRADE SOURCES, HOWEVER, ARE AGREEING WITH HONG KONG THAT WINTER WHEAT CONDITIONS ARE NOT TOO GOOD, AND ONE INDICATES THAT EARLY RICE CROP FACING DIFFICULTY. TRADE ANALYSTS, INCLUDING SEVERAL WHO HAVE BENEFIT OF CLOSE INTERCHANGE

WITH SELLERS' REPRESENTATIVES WHO HAVE RECENTLY VISITED PEKING, ARE TALKING IN TERMS OF AT LEAST 8.5 MILLION TONS FOR 1978/9 PRC WHEAT IMPORT REQUIREMENTS, AND MORE THAN ONE ARE SAYING THAT IT COULD BE EASILY 10 MILLION.

6. UNDERSTAND AT LEAST FOUR EXPORT FIRMS HAVE HAD OR ARE HAVING SERIOUS DISCUSSIONS ABOUT US WHEAT WITH CERIO FOOD, AND UNDERSTAND THAT THE ONE SELLER WHO HAS THUS FAR BEEN SUCCESSFUL EXPECTS TO RETURN TO PEKING BEFORE LONG. IN ADDITION, COOP PEOPLE WHO VISITED PEKING LAST YEAR REPORT ENCOURAGING INTEREST FROM PRC SIDE IN RECENT DAYS REGARDING COOP PROPOSAL FOR PRC SPECIALISTS TO VISIT USA FOR GRAIN TOUR.

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7. AS FOR RICE BUSINESS, PEOPLE WHO EARLIER TOLD US THEY EXPECT PRC RICE EXPORTS TO APPROACH 1.5-2.0 MILLION TONS IN 1978 HAVE NOW BACKED OFF.

8. APPRECIATE YOUR REPORT ON POSSIBLE PURCHASE FROM TURKEY, AND WOULD LIKE TO KNOW FURTHER DETAILS, E.G., DATES, OTHER CONSIDERATIONS SUCH AS FREIGHT FACTOR, ETC.

9. AN ADDITIONAL SALE OF 400,000 TONS OF U.S. WHEAT WAS JUST ANNOUNCED APRIL 17. OF THIS AMOUNT 100,000 TONS IS TO BE DELIVERED BEFORE MAY 31.

10. WOULD APPRECIATE YOUR ASSESSMENT OF CROP SITUATION AND TRADE POTENTIAL 1978/9. CHRISTOPHER

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